



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

August 23, 1999

Lee R. Brown
Magnesium Corporation of America
238 North 2200 West
Salt Lake City, Utah 84116

Re: Status of Reclamation Surety, Magnesium Corporation of America (MagCorp), Knolls Solar Ponds, M/045/022, Tooele County, Utah

Dear Mr. Brown:

On July 28, 1999 we received surety bond issued by Frontier Insurance Company in the amount of \$110,000 sent with a cover letter from William Armstrong of the Renco Group, Inc. of New York City. The cover letter did not explain which operation this bond was for, however, we assume this bond is meant to replace the existing \$110,000 Gulf Insurance Company bond for the Knolls Solar Ponds. We were unaware of MagCorp's intent to replace this reclamation surety. **The Frontier Insurance surety bond is not acceptable to the Division** for a number of reasons: (1) it was not prepared using our current surety bond form; (2) it contains several errors; (3) it does not include an updated reclamation contract; and (4) the amount of surety required to reclaim the site has not been recently verified by the Division.

The reclamation surety for the Knolls Solar Pond operations was due for a reclamation surety review in 1995. Due to other permitting priorities and some unresolved issues this surety review has not yet been performed. This reclamation surety was last updated by the Division in 1990 when the surety amount was adjusted to include five years of escalation to the year 1995. It is our understanding that the BLM has some concerns regarding the current permitting and reclamation bonding for this operation. Under our current Memorandum Of Understanding (MOU) we are required to coordinate with the BLM to the extent our different regulations will allow. We have also been informed that this operation is currently the source of litigation involving the BLM and Sovereign Lands regarding the source of the brines.

If MagCorp wishes to replace the Knolls Solar Ponds surety at this time we will need to review the reclamation cost estimate and make the appropriate adjustments. At a minimum, the surety amount will need to be escalated five years into the future. A new Reclamation Contract will also need to accompany the replacement surety. Enclosed for your use are the current joint agency surety bond form (MR-6) and Reclamation Contract (MR-RC) with guidelines for completion. The joint surety will have to be assigned to the Division of Oil, Gas and Mining, the Department of Interior, Bureau of Land Management, and Forestry, Fire and Sovereign Lands.

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Lee R. Brown
M/045/022
August 23, 1999

Enclosed are copies of the existing Gulf Insurance Bond [redacted] received July 25, 1990 and the newly issued Frontier Insurance Bond [redacted] received July 28, 1999 which you requested in your August 16, 1999 telephone conversation with Mrs. Joelle Burns. On that same date we spoke with John Cocomazzi of Gulf Insurance Company at (212) 816-0527 who informed us that the Gulf bond is still in effect.

If you have any questions regarding this letter, or if you need assistance in completing the forms, please contact me at (801) 538-5286, Joelle Burns at 538-5291, or Tony Gallegos at 538-5267.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures: Copies of existing Gulf bond, copy of Frontier bond,
form MR-6, form MR-RC & guidelines
cc: Stan Perkes, BLM State Office
Eddie Trimmer, Sovereign Lands
M45-22.ltr

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MR FORM 6
Joint Agency Bonding Form

(January 1990)
(Noncoal)

Bond Number 1
Permit Number S.U.L.P. 711 Statelands
Mine Name Knolls Solar Evaporation Ponds

DOGM PERMIT #: M/045/022

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1200
(801) 538-5340

RECEIVED
JUL 25 1990

THE MINED LAND RECLAMATION ACT

BOND

DIVISION OF
OIL, GAS & MINING

The undersigned Magnesium Corporation of America
as Principal, and GULF INSURANCE COMPANY
as Surety Company, hereby jointly and severally bind ourselves, our heirs,
administrators, executors, successors and assigns unto the State of Utah,
Division of Oil, Gas and Mining, ~~and~~ _____
_____ in the penal sum
of One Hundred Ten Thousand and no/100 _____ dollars
(\$ ***110,000.00***).

The Principal estimated in the Mining and Reclamation Plan filed with the
Division of Oil, Gas and Mining on the 26th day of July, 1990,
that ***176*** acres of land will be disturbed by this mining operation
in the State of Utah. A description of the disturbed land is attached hereto
as Exhibit "A".

When the Division has determined that the Principal has satisfactorily
reclaimed the above-mentioned lands affected by mining in accordance with the
approved Mining and Reclamation Plan and has faithfully performed all
requirements of the Mined Land Reclamation Act, and complied with the Rules
and Regulations adopted in accordance therewith, then this obligation shall be
void; otherwise it shall remain in full force and effect until the reclamation
is completed as outlined in the approved Mining and Reclamation Plan.

If the approved plan provides for reclamation of the land affected on a
piecemeal or cyclic basis, and the land is reclaimed in accordance with such
plan, then this bond may be reduced periodically.

In the converse, if the plan provides for a gradual increase in the area
of the land affected or increased reclamation work, then this bond may
accordingly be increased with the written approval of the Surety Company.

This bond may be cancelled by the Surety Company after ninety (90) days
following receipt by the Division and the Principal of written notice of such
cancellation. The Surety Company's liability shall then, at the expiration of
said ninety (90) days, cease and terminate except that the Surety Company will
retain liability for any outstanding reclamation obligation of the Principal
existing prior to the termination of the Bond.

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NONCOAL
MR-5

NOTE: Where one signs by virtue of Power of Attorney for a Surety Company, such Power of Attorney must be filed with this bond. If the Principal is a corporation, the bond shall be executed by its duly authorized officer.

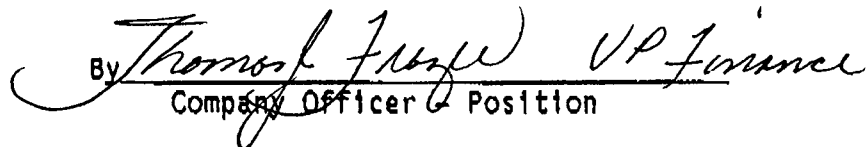
Dated this 26th day of July, 1990.

State of Utah
Board of Oil, Gas and Mining



Gregory P. Williams, Chairman

Magnesium Corporation of America
Principal (Company)

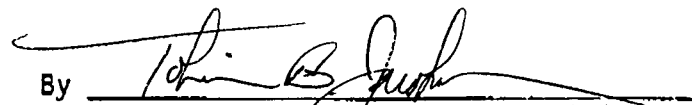
By  VP Finance

Company Officer - Position

Date: July 26, 1990

GULF INSURANCE COMPANY


Surety Company

By 

Surety Company Officer - Position
Tobin B. Jacobson, Attorney-in-fact

Date: _____

APPROVED AS TO FORM:

By 

Assistant Attorney General

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AFFIDAVIT OF QUALIFICATION

Tobin B. Jacobson, being first duly sworn, on oath deposes and says that he/she is the (officer or agent) agent of said Surety Company, and that he/~~she~~ is duly authorized to execute and deliver the foregoing obligations; that said Surety Company is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertakings and obligations.

Signed

Tobin B. Jacobson
Surety Company Officer - Position
Tobin B. Jacobson, Attorney-in-fact

Subscribed and sworn to before me this 26th day of July, 19 90

Francesca Papa
Notary Public

My Commission Expires:

Jan 6, 19 92.

FRANCESCA PAPA
Notary Public, State of New York
No. 4842536 Suffolk County
Cert. Filed in Suffolk County
Commission Expires Jan. 6, 19 92

MN79/4-6

000299



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That GULF INSURANCE COMPANY, a corporation of the State of Missouri, hereinafter called "Company," does hereby appoint

TOBIN B. JACOBSON OR WILLIAM R. COTTER OR ALAN J. THOMPSON OR JOHN J. MALONE
OR FRANCESCA PAPA OR EILEEN MALONE

PLAINVIEW, NEW YORK

RECEIVED
JUL 25 1990

DIVISION OF
OIL-GAS & MINING

its true and lawful Attorney-in-fact to make, execute, seal and deliver on its behalf, as surety, any and all bonds and undertakings of suretyship, subject to a maximum of Three Million and No/100 Dollars (\$3,000,000.00)

The execution of such bonds or undertakings in pursuance of these presents shall be as binding upon the Company as if they had been executed and acknowledged by the regularly elected officers of the Company.

This Power of Attorney is issued pursuant to and by authority of the following resolution of the Board of Directors of the Company, adopted effective July 1, 1983, and now in full force and effect:

"Resolved that the President, or any Senior Vice President, or any Vice President, or the Secretary, or any Assistant Secretary may appoint Attorneys-in-fact in any state, territory or federal district to represent this Company and to act on its behalf within the scope of the authority granted to them, in writing, which authority may include the power to make, execute, seal and deliver on behalf of this Company, as surety, and as its act and deed, any and all bonds and undertakings of suretyship and other documents that the ordinary course of surety business may require, including authority to appoint agents for the service of process in any jurisdiction, state or federal, and authority to attest to the signature of the President, or any Senior Vice President, or any Vice President, or the Secretary, or any Assistant Secretary and to verify any affidavit or other statement relating to the foregoing, and to certify to a copy of any of the bylaws of the Company and to any resolutions adopted by its Board of Directors; and any such Attorney-in-fact may be removed and the authority granted him revoked by the President, or any Senior Vice President, or any Vice President, or the Secretary, or any Assistant Secretary, or by the Board of Directors."

This Power of Attorney and Certificate are signed and sealed by facsimile under and by authority of the following resolution of the Board of Directors of the Company, adopted effective July 1, 1983, and now in full force and effect:

"Resolved that the signature of the President, or of any Senior Vice President, or of any Vice President, or of the Secretary, or of any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Attorneys-in-fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, including any such power of attorney and certificate revoking the authority of the foregoing Attorneys-in-fact, as well as for the appointment of agents for the service of process in any jurisdiction, state or federal, including any such power of attorney and certificate revoking the authority of such agents; and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power of attorney or certificate so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company at the time any such power of attorney and certificate are executed and in the future with respect to any bond or undertaking to which they are attached."



STATE OF TEXAS
COUNTY OF DALLAS

SS:

In Witness Whereof, the Company has caused this Power of Attorney to be signed and its corporate seal to be affixed by its authorized officer this 26th of December 19 89

By

[Signature]
Sr. Vice President

26th day of December, 19 89

Before me, a Notary Public of the State and County aforesaid, residing therein, duly commissioned, I have personally known the above named officer of GULF INSURANCE COMPANY, who being by me first duly sworn according to law, did depose and say that he is that officer of the company described in the foregoing instrument; that he knows the seal of said company; that the seal affixed to such instrument is the corporate seal of said company; and that the corporate seal and his signature as duly authorized officer, affixed and subscribed to the said instrument by the authority and direction of said company.

30th day of June, 19 92

[Signature]
Notary Public
Clifford R. Beard

CERTIFICATE

I, the undersigned, do hereby certify that the original Power of Attorney of which the foregoing is a true and correct copy is in full force and effect, and the foregoing resolutions are true and correct transcripts from the records of GULF INSURANCE COMPANY and that the above named officer was on the date of execution of the foregoing Power of Attorney authorized to execute this Power of Attorney.

I, the undersigned, have hereunto subscribed my name and affixed the corporate seal of Gulf Insurance Company this 26th day of July, 1990.



[Signature]
Vice President 000300